



C.001 Permanent Endowment Fund

Board Adopted: 02-19-1992 (Estimated)

The following is a copy of the document titled “Permanent Endowment Fund of University Christian Church (Disciples of Christ) Austin, Texas.”

**PERMANENT ENDOWMENT FUND
OF
UNIVERSITY CHRISTIAN CHURCH
(Disciples of Christ)
Austin, Texas**

For some time the members of our Church have been discussing the need to establish a permanent endowment fund for the benefit and affirmation of our Church Mission. We want to raise a significant fund and then hold this amount in perpetuity and make the ordinary income it generates available for the activities that support the Mission. We realize that the concept of an “endowment” is generally that the principal is held in perpetuity and only the ordinary income from the interest, dividends, and the like is ever spent. We also understand that Texas law allows capital gains (from the sale or other disposition of a principal asset) to be spent provided the endowment is kept at its historic dollar value, the value of original contributions to it. We do not want capital gains to be spent, even though allowable under Texas law, except in strict accordance with this document.

Guidelines for Distributions from the Permanent Endowment Fund. We want the ordinary income generated by the Permanent Endowment Fund to be available for the maintenance and support of the Church, but do not want all of each year’s ordinary income to be automatically used; that is, only so much of the ordinary income will be used as is necessary (in the view of the “Advisory Committee,” described below, to the Fund) for the support and maintenance of the Church.

In addition, only ten percent (10%) of any year’s capital gain income generated on a sale of property in the Permanent Endowment Fund may be used for the support and maintenance of the Church and only then to the extent it is necessary (in the view of the Advisory Committee) for the support and maintenance of the Church.

The ordinary income remaining after distributions and expenses and capital gain income not so used in any year shall be added to the principal of the Fund.

We do not want income which is not used in a preceding year to continue to be available for use in future years on the theory that it is “accrued income.” However, we recognize that flexibility needs to be incorporated into this original, organizational document and that there needs to be a way for the principal to be used in the event of an emergency or other extraordinary circumstances. Thus, the principal of the Permanent Endowment Fund may be used (invaded) if, but only if, the following steps are followed:

- 1) The official Board of the Church has a meeting at which a quorum is present and three-fourths (3/4ths) of the Board present vote in favor of invading, and resolve to invade, the principal of the Permanent Endowment Fund and decide on a specific amount to be taken from the principal and state clearly in the resolution the purpose for such invasion.
- 2) A meeting of the members of the Church must then be called, with notice of the purpose of such meeting and its time and place being mailed to all members at least ten (10) days before the meeting. Three-fourths (3/4ths) of the members present at such meeting must approve the Board’s resolution before it will be effective.

All Donations to the Permanent Endowment Fund are to be Subject to this Document; Donor-Restricted Funds Within the Permanent Endowment Fund. We want to insure that any donations to the Permanent



Endowment Fund will be subject to the terms of this original, organizational document. Thus, anyone who makes a donation to the Permanent Endowment Fund shall be treated as having agreed to the terms and conditions of this original document. The Advisory Committee shall, upon request, provide each donor and potential donor with a copy of this document. Further, except for gifts of cash, no gift will be accepted into the Permanent Endowment Fund without the approval of both the Advisory Committee and the Board of the Church. (If a gift of property other than cash is made near the end of a calendar year and it simply is not feasible for both the Advisory Committee and the Board, the gift may be accepted by either, subject to ratification by the other; provided, however, that no gift of real property shall be accepted until and unless an environmental assessment has been performed and the real property has been assessed as having no environmental problems and until and unless title insurance is obtained.)

Further, with the approval of both the Advisory Committee and the Board of the Church, donors may restrict even more than the Permanent Endowment Funds does now the manner in which their donations may be used; for example, a donor could make a donation with the proviso that it can only be used for maintenance of the grounds or perhaps even planting, purchase, and maintenance of roses. (These special funds will be referred to in this document as “donor-restricted funds.”)

Guidelines for Investments. We want to insure that the monies and properties donated to and remaining in the Permanent Endowment Fund are conservatively and safely invested at all times. Therefore, unless otherwise varied by the Board and members of the Church in the same manner provided above for the invasion of principal, all monies and properties of the Permanent Endowment Fund shall be invested by the Advisory Committee as follows:

1) **\$200,000 or Less in Permanent Endowment Fund.** Until such time as the total amount of the Permanent Endowment Fund, excluding donor-restricted funds, exceeds \$200,000, all investments shall be fixed income securities of the United States Government or in fixed income securities, the principal of which is insured by an agency of the United States Government. We recognize that managed funds which provide essentially the same degree of safety as the actual fixed income securities may be available; therefore, the Advisory Committee may invest in such managed funds if, in the judgment of the members of the Advisory Committee, the earnings after management fees are generally comparable with what could be expected to be achieved by investing independently. Due to the relationship of our Church to the greater denomination know as the Christian Church (Disciples of Christ), investments may also be made in the Common Fund of the Christian Church Foundation.

A portion or all of the Permanent Endowment Fund may also be maintained in one or more interest-bearing bank accounts in order to facilitate the payment of operating expenses and distributions; provided, that such accounts must be insured by the Federal Deposit Insurance Corporation (FDIC) or any successor to it or other form of deposit insurance. One or more interest-bearing accounts may also be maintained in order to accumulate funds in an amount sufficient for investment in specific investments.

2) **More than \$200,000 in Permanent Endowment Fund.** At such time as the total amount of the Permanent Endowment Fund, excluding assets in donor-restricted funds, exceeds \$200,000, the Advisory Committee shall submit for approval to the Board of the Church a recommendation for investment guidelines, which, when adopted by the Board shall then be implemented by the Advisory Committee. In developing such guidelines, the Advisory Committee shall consider the following issues:

- (a) the advisability of acquiring the services of a bank or similar institution to assume the management of some or all of the Permanent Endowment Fund;
- (b) development of guidelines to be followed by such institution should it be selected to manage the Permanent Endowment Fund, including, but not limited to, percentage diversification among various types of investments and the quality requirements; and
- (c) those assets of the Permanent Endowment Fund, if any, to remain under the investment direction of the Advisory Committee and guidelines to be followed by the Advisory Committee in the management of such assets.



Borrowing. We recognize that generally the principal (corpus) of an endowment fund cannot be pledged to secure a loan and that the principal is set aside in perpetuity to accomplish the purposes for which it was originally given and, further, that if circumstances so changed that the original purposes could not be accomplished, then a judge would decide how best to apply the endowment fund in order to carry out the wishes of the donors to the endowment fund. Nevertheless, in order to provide for some degree of flexibility in the event there is ever an emergency situation or other extraordinary situation, then with the approval of all of the Advisory Committee, the Board of the Church, and the members of the Church in the same manner described above for the procedure to be followed in order to obtain approval to invade the principal, part or all of the assets of the Permanent Endowment Fund may be pledged to secure a loan, the proceeds of which are to be used for the maintenance and support of the Church.

Expenses. The Advisory Committee has the power to employ attorneys, investment advisers, accountants, brokers, tax specialists, or other agents deemed necessary in their discretion and to pay, from income or principal, reasonable compensation for their services. While the Advisory Committee should report on such employment to the Board of the Church, the power to employ such agents is not subject to pre-approval by the Board, although the Board may, in its discretion, terminate such employment without prejudice to the rights and duties created by the relationship prior to termination.

Relationship to the Church; Make-up of Members of the Advisory Committee. The Advisory Committee shall be a Council of the Church pursuant to its By-laws. The Advisory Committee to the Permanent Endowment Fund shall consist of five (5) persons, each of whom must be a member of the Church. The original members of the Advisory Committee are the five (5) persons whose signatures appear at the end of this document. Each Advisory Committee member shall serve for the initial period indicated next to his or her name, either one (1), two (2), three (3), four (4), or five (5) years. Each Advisory Committee member must be a member of the Church; if at any time during his or her tenure, he or she shall cease being a member of the Church, then he or she shall be treated as having resigned as a member of the Advisory Committee.

As each of the initial terms end, the persons appointed by the Board of the Church in accordance with its By-laws to replace the Advisory Committee member (or the member who is re-elected) shall serve a regular term of three (3) years. Without regard to the length of time spent on the initial term, thereafter each member of the Advisory Committee may serve one full three (3) year term, and if a person has been appointed to serve the remaining part of a term for another person who has resigned then that person may serve out the remaining term plus one regular full three (3) year term, but must retire for at least one (1) year before being appointed to serve as a member of the Advisory Committee again.

Each Advisory Committee member shall have the right to resign at any time (and as previously stated, if an Advisory Committee member ceases to be a member of the Church, such member shall be treated as having resigned as a member of the Advisory Committee). In the event of the death, resignation, incapacity, or refusal to serve of any Advisory Committee member, the Board of the Church, in accordance with its By-laws, shall fill the vacancy or the unexpired term as soon as practicable.

No Compensation for Serving on the Advisory Committee; Out-of-Pocket Expenses to be Reimbursed. Advisory Committee members shall receive no compensation for their services on the Advisory Committee. During such time as a person is serving on the Advisory Committee he or she cannot be paid any compensation for services as an agent of the Advisory Committee. Each Advisory Committee member may be reimbursed for actual out-of-pocket expenses, if any, incurred on behalf of the Permanent Endowment Fund so long as such expenses are approved by the members of the Advisory Committee other than the member who is requesting reimbursement.

Annual Accounting. The Advisory Committee shall make an annual accounting to the Board of the Church. This accounting shall include a report of the investments, receipts, disbursements, and distributions since the last accounting. Also, this accounting shall separately identify donor-restricted funds which are part of the Permanent Endowment Fund. In order to aid the Board of the Church in its annual budgeting process, the Advisory Committee



University Christian Church (Disciples of Christ)
2007 University Avenue, Austin, Texas

shall provide the Board with an estimate of the income which will be earned during the next year and the amount that will be available for the Church's support and maintenance.

EXECUTED AS OF THE _____ DAY OF _____, 199____, IN TRAVIS COUNTY, TEXAS, BY THE UNDERSIGNED:

<u>Harold Williams</u>	5 year term
<u>Carl Noble</u>	4 year term
<u>Art Hudman</u>	3 year term
<u>Kay Baker</u>	2 year term
<u>Andy Andrews</u>	1 year term